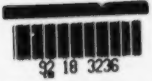

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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarter Ended May 30, 1992

Commission File Number 0-17276

FSI INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Minnesota	41-1223238
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

322 Lake Hazeltine Drive
Chaska, Minnesota
(Address of principal executive offices)

55318
(Zip Code)

Registrant's telephone number, including area code: (612)448-5440

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, No par value

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

Common shares outstanding at July 7, 1992: 4,206,628

This report including all exhibits and attachments contains 13 pages.

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FSI INTERNATIONAL, INC.

QUARTERLY REPORT ON FORM 10-Q

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PART 1. Financial Information

FSI INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
MAY 30, 1992 AND AUGUST 31, 1991

ASSETS

	May 30, 1992 (Unaudited)	August 31, 1991 (Audited)
Current Assets:		
Cash & cash equivalents	$ 349,425	$ 340,302
Trade accounts receivable, net of allowance for doubtful accounts of $441,000 and $200,000, respectively	10,026,872	9,095,651
Inventories	10,802,522	7,744,512
Refundable income tax benefit	252,897	950,847
Deferred income tax benefit	--	268,000
Other current assets	1,559,302	2,025,861
Total current assets	22,991,018	20,425,173
Buildings, leasehold improvements and equipment, at cost	12,954,211	12,258,726
Less accumulated depreciation and amortization	(9,982,600)	(8,947,985)
	2,971,611	3,310,741
Other assets:		
Investment in affiliates	1,325,651	1,740,467
Other	2,349,822	1,603,037
	3,675,473	3,343,504
	$29,638,102	$27,079,418

See accompanying notes to consolidated condensed financial statements.

FSI INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
MAY 30, 1992 AND AUGUST 31, 1991

LIABILITIES AND STOCKHOLDERS' EQUITY

	May 30, 1992 (Unaudited)	August 31, 1991 (Audited)
Current liabilities:		
Notes payable	$ 2,886,605	$ 0
Current maturities of long-term debt	456,027	132,463
Accounts payable	5,467,126	3,115,622
Accrued expenses	2,928,133	3,475,282
Other current liabilities	425,804	388,894
Total current liabilities	12,163,695	7,112,261
Long-term debt, less current maturities	774,957	304,331
Stockholders' Equity:		
Preferred stock, no par value; 10,000,000 shares authorized, none issued and outstanding	---	---
Common Stock, no par value; 25,000,000 shares authorized, issued and outstanding, 4,206,628 shares at May 30, 1992 and 4,048,079 at August 31, 1991, respectively	11,810,710	11,380,027
Retained earnings	4,888,740	8,282,799
Total stockholders' equity	16,699,450	19,662,826
	$29,638,102	$27,079,418

See accompanying notes to consolidated condensed financial statements.

FSI INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
THE QUARTERS ENDED MAY 30, 1992 AND MAY 25, 1991

(Unaudited)

	May 30, 1992	May 25, 1991
Sales	$13,528,008	$11,153,811
Cost of sales	7,826,428	6,612,759
Gross profit	5,701,580	4,541,052
Selling, general & administrative expenses	3,061,148	3,282,912
Research & development expenses	2,677,972	2,180,351
Operating loss	(37,540)	(922,211)
Interest expense	(139,828)	(59,018)
Other income, net	4,413	5,508
Loss before income taxes	(172,955)	(975,721)
Income tax benefit	---	---
Loss before equity in earnings of affiliates	(172,955)	(975,721)
Equity in earnings of affiliates	72,511	9,168
Net loss	$ (100,444)	$ (966,553)
Loss per share of common and common stock equivalents:		
Net loss	$ (0.02)	$ (0.24)
Weighted average common and common stock equivalent shares:	4,201,235	4,048,079

See accompanying notes to consolidated condensed financial statements.

FSI INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
THE NINE MONTHS ENDED MAY 30, 1992 AND MAY 25, 1991
(UNAUDITED)

	May 30, 1992	May 25, 1991
Sales	$31,307,320	$33,632,115
Cost of sales	18,786,357	21,134,596
Gross profit	12,520,963	12,497,519
Selling, general & administrative expenses	7,955,865	9,452,602
Research & development expenses	6,992,253	6,353,573
Operating loss	(2,427,155)	(3,308,656)
Interest expense	(272,303)	(257,200)
Other income (expense), net	37,215	(5,220)
Loss before income taxes	(2,662,243)	(3,571,076)
Provision/(Benefit) for income taxes	267,000	(616,000)
Loss before equity in loss of affiliates	(2,929,243)	(2,955,076)
Equity in loss of affiliates	(464,816)	(96,803)
Net Loss	$(3,394,059)	$(3,051,879)
Loss per share of common and common stock equivalents:		
Net Loss	$ (0.82)	$ (0.76)
Weighted average common and common stock equivalent shares:	4,118,955	4,031,274

See accompanying notes to consolidated condensed financial statements.

FSI INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
THE NINE MONTHS ENDED MAY 30, 1992 AND MAY 25, 1991

(Unaudited)

	May 30, 1992	May 25, 1991
OPERATING ACTIVITIES:		
Net loss	$(3,394,059)	$(3,051,879)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,325,180	1,342,914
Provision for deferred income taxes	268,000	495,000
Equity in loss of affiliates	464,816	178,060
Loss on sale of equipment	---	76,420
Changes in operating assets and liabilities:		
Trade accounts receivable	(931,221)	5,257,439
Inventories	(3,058,010)	(506,376)
Refundable income tax benefit	697,950	38,316
Prepaid expenses & other current assets	466,559	162,526
Trade accounts payable	2,351,504	319,133
Accrued expenses	(547,149)	11,622
Other current liabilities	36,910	(481,065)
Net cash provided by (used in) operating activities	(2,319,520)	3,842,110
INVESTING ACTIVITIES:		
Acquisition of leasehold improvements and equipment	(695,485)	(518,145)
Increase (decrease) in deposits and other assets	(1,037,350)	74,896
Proceeds from sale of equipment	---	5,700
Investment in affiliates	(50,000)	---
Net cash used in investing activities	(1,782,835)	(437,549)
FINANCING ACTIVITIES:		
Principal payments on long-term debt	(150,810)	(86,321)
Notes payable to bank	2,886,605	(2,928,231)
Proceeds from issuance of common stock	430,683	68,999
Additions to long term debt obligations	945,000	---
Net cash provided by (used in) investing activities	4,111,478	(2,945,553)
Increase in cash	9,123	459,008
Cash at beginning of period	340,302	572,137
Cash & cash equivalents at end of period	$ 349,425	$ 1,031,145

See accompanying notes to consolidated condensed financial statements.

FSI INTERNATIONAL, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

(1) Reclassification

Certain 1991 amounts have been reclassified to conform to the 1992 presentation

(2) Consolidated Condensed Financial Statements

The accompanying consolidated condensed financial statements have been prepared by the Company without audit and reflect all adjustments (normal and recurring in nature) which are, in the opinion of management, necessary to present a fair statement of the results for the interim periods. The statements have been prepared in accordance with the regulations of the Securities and Exchange Commission, but omit certain information and footnote disclosures necessary to present the statements in accordance with generally accepted accounting principles. For further information, refer to the Consolidated Financial Statements and footnotes thereto included in the Company's Annual 10-K Report for the fiscal year ended August 31, 1991 previously filed with the Securities and Exchange Commission.

(3) Inventories

Inventories are summarized as follows:

	May 30, 1992	August 31, 1991
Finished products	$ 1,663,304	$ 895,466
Work in process	2,399,233	1,426,239
Subassemblies	1,779,386	1,498,515
Raw materials and purchased parts	4,960,599	3,924,292
	$10,802,522	$ 7,744,512

(4) Supplementary Cash Flow Information

(a) Schedule of interest and income taxes paid:

	Nine Months Ended	
	May 30, 1992	May 25, 1991
Interest	$ 275,752	$ 267,750
Income Taxes, net of refunds received	(778,977)	(1,018,220)

(5) Income Taxes

The Company's income tax expense for the first nine months was $267,000. This is due to the limitation of the amount of the pretax loss which the Company could carry back to recover taxes which were previously paid and a limitation on the amount of deferred taxes as imposed by FASB96.

FSI INTERNATIONAL, INC.
Management's Discussion and Analysis of
Results of Operations and Financial Condition

Results of Operations

Third Quarter and First Nine Months of Fiscal 1992 Compared with the Third Quarter and First Nine Months of Fiscal 1991

Sales in the third quarter ended May 30, 1992, increased 21% from the level of the comparable prior fiscal year quarter and sales for the nine months ended May 30, 1992 decreased 7% from the prior fiscal year's comparable period. The increase in sales for the third quarter of fiscal 1992 occurred in the Microlithography Work Cell product, more than offsetting a decrease in sales of all other products. The decrease in sales for the nine months ended May 30, 1992 occurred in all product lines except Microlithography Work Cells. We expect an increase in sales of Microlithography Work Cells in the fourth quarter of fiscal 1992 as compared to the first three quarters of fiscal 1992. The expected increase is based upon current backlog expected to ship during the fourth quarter.

Gross profit margin increased to 42% of sales in the third quarter of fiscal 1992 as compared to 41% of sales in the comparable prior fiscal year quarter. Gross profit margin increased to 40% of sales for the first nine months of fiscal 1992 as compared to 37% of sales in the prior fiscal year period. The increase in gross profit margin for the third quarter and first nine months of fiscal 1992 resulted from a decrease in the percentage of foreign sales to total sales. In addition, in the third quarter of fiscal 1991, the Company announced that it would close its Japanese subsidiary, FSI Japan Co., effective July 31, 1991. This action resulted in a $450,000 charge in the third quarter of fiscal 1991. The Company expects continued fluctuations in gross profit margins from quarter to quarter resulting from different sales mixes.

Selling, general and administrative expenses decreased to 23% of sales for the third quarter of fiscal 1992 as compared to 29% of sales in the comparable prior fiscal year quarter and decreased to 25% of sales for the nine months ended May 30, 1992 as compared to 28% of sales in the prior fiscal year comparable period. The decrease in selling, general and administrative expenses for both the third quarter and nine month period ended May 30, 1992 reflects the impact of certain cost reduction and control programs implemented during fiscal 1991 and 1992.

Research and development expense was 20% of sales for the third quarter of fiscal 1992 and the comparable prior fiscal year quarter. Research and development expense increased to 22% of sales for the nine months ended May 30, 1992 as compared to 19% of sales in the prior fiscal year comparable period. The increase in the amount of research and development expense for the third quarter and first nine months of fiscal 1992 as compared to the prior fiscal year comparable periods results from opening the Microlithography Work Cell Development Center in Dallas, Texas, in January 1992.

The Company recently received a commitment from Sematech to fund approximately $900,000 of research and development for the EXCALIBUR®II Vapor Phase Processing System. The funding is for two beta programs at strategic U.S. customers through January 31, 1993.

Interest expense increased in the third quarter and nine month period ended May 30, 1992 as compared to the prior fiscal year comparable period. The Company's average debt balances have increased each quarter during fiscal 1992, resulting from the increase in sales which resulted in additional working capital requirements. We expect an increase in interest expense in the fourth quarter as our working capital needs increase.

No provision for income tax benefit was recorded in the third quarter of fiscal 1992 or the comparable prior fiscal year quarter. In the first nine months of fiscal 1992, we reported an income tax provision of $267,000, or 10% of the pretax loss, as compared to an income tax benefit of 17% in the first nine months of fiscal 1991. This is due to the limitation of the amount of the pretax loss which the Company could carry back to recover taxes which were previously paid and a limitation on the amount of deferred taxes as imposed by FASB96.

Equity in earnings of affiliates increased in the third quarter of fiscal 1992 as compared to the prior fiscal year quarter. Equity in earnings of affiliates decreased for the nine months ended May 30, 1992 as compared to the prior year comparable period. This decrease was primarily due to the Company recognizing its share of losses to the extent of the Company's net investment in m•FSI, Ltd., FSI's Japanese joint venture. The Company does expect equity in earnings of affiliates to change significantly in the fourth quarter of fiscal 1992.

Liquidity and Capital Resources

On February 28, 1992, the Company entered into an accounts financing agreement (the "Credit Agreement") with Congress Financial Corporation (Central). Under the terms of the Credit Agreement, the Company can borrow up to $7,000,000, subject to a minimum borrowing base, comprised of domestic accounts receivable and inventory. Borrowings under the Credit Agreement are secured by substantially all assets of the Company, and the Credit Agreement contains certain financial covenants. Under the most restrictive covenants, the Company is required to maintain a net worth of $14,000,000.

In conjunction with the Company's operating loss, working capital decreased $2,500,000 to $10,800,000 from $13,300,000 at year end 1991. On May 30, 1992, $2,900,000 in aggregate principal amount was outstanding under the Company's Credit Agreement. The Company has a $500,000 direct loan supporting the Metron Asia Group.

Current operating plans for 1992 require borrowings of approximately $5,000,000 to fund anticipated capital needs, based on existing backlog and anticipated orders. The Company believes the Credit Agreement will provide the working capital necessary to fund these needs. The Company continues to explore other ways of supplementing such debt financing, including the financing of foreign accounts receivable and equity financing. However, no assurance can be given that such other financing can be obtained, or, if obtained, on terms favorable to the Company.

The Company's accounts receivable increased by $900,000 from year end 1991. The increase resulted from higher sales in the third quarter of fiscal 1992 as compared to the fourth quarter of fiscal 1991. Inventory increased to $10,800,000 as compared to $7,700,000 at year end 1991. The increase in inventory is in response to the increased orders the first nine months of fiscal 1992.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

None

ITEM 2. Change in Securities

None

ITEM 3. Defaults upon Senior Securities

None

ITEM 4. Submission of Matters to a Vote of Security Holders

None

ITEM 5. Other Information

None

ITEM 6. Exhibits and Reports on Form 8-K

None

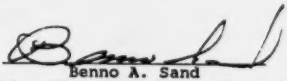
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FSI INTERNATIONAL, INC.
. . . . . .

[Registrant]

DATE: July 7, 1992

By: 

Benno A. Sand
Executive Vice President, Finance and
Chief Financial Officer
behalf of the
Registrant and as
Principal Financial Officer